

## **DRAFT**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**  
**E-2 ID # 1874**  
**ENERGY DIVISION** **RESOLUTION E-3817**  
**May 22, 2003**

### **R E S O L U T I O N**

Resolution E-3817. Sierra Pacific Power Company (Sierra) submits tariff revisions to reinstate an Energy Cost Adjustment Clause (ECAC) "Offset" Balancing Account Mechanism. Approved with modifications.

By Advice Letter 294-E Filed on January 8, 2003 and AL 294-E-A filed on February 6, 2003

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### **SUMMARY**

This Resolution approves with modification Sierra's proposed tariff revisions to reinstate an Energy Cost Adjustment Clause (ECAC) "Offset" Balancing Account Mechanism. This mechanism had been suspended since June 1, 1996, pursuant to D.96-05-059. This resolution allows Sierra to recover the cost of fuel and purchased power (in addition to other energy-related costs) using the same rate mechanism that was used prior to June 1, 1996.

### **BACKGROUND**

#### **Prior to June 1, 1996, the Commission Authorized Sierra to Use a Balancing Account to Track Fuel and Purchased Power Costs**

The ECAC balancing account is designed to insulate the utility from the price volatility of the fuel and purchased power. The ECAC mechanism collects a rate from customers to cover these energy-related costs. On an annual basis, the rate is revised to take into account any over- or under-collections in the ECAC balancing account. For example, if at the end of the annual period, the utility has spent more on energy-related costs than it collected through the ECAC rate, the under-collection would be amortized through the ECAC rate in the subsequent year.

### **D.96-05-059 suspended Sierra's Balancing Account Mechanisms**

Pursuant to D.96-05-059, the balancing account rates were set to zero, effectively terminating the ECAC mechanism; leaving the balancing account at zero and no longer accruing any funds.

Sierra filed advice letter (AL) 294-E on January 8, 2003 requesting authority to reinstate its ECAC mechanism. On February 6, Sierra filed supplemental AL 294-E-A to make two changes: 1) to add language stating that the offset rates contained in the ECAC section are subject to a final decision in Phase II of Application 01-06-041, Sierra's pending general rate case (GRC); and 2) to add language specifying that all of Sierra's rate stabilization revenues will be included in the ECAC calculations.

### **NOTICE**

Notice of Advice Letter 294-E was made by publication in the Commission's Daily Calendar. Sierra Pacific states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

### **PROTESTS**

Sierra's AL 294-E was not protested.

### **DISCUSSION**

Energy Division has reviewed AL 294-E, as well as testimony by Sierra and the Office of Ratepayer Advocates (ORA) in Sierra's pending GRC. Discussion of the relevant facts that lead to the conditional approval of this advice letter is discussed below.

### **Reinstatement of ECAC mechanism should be made by Commission vote**

This issue is best resolved through the formal resolution process and a full Commission vote because it demonstrates a change in policy for the treatment of generation fuel costs. The use of ECAC mechanisms was suspended by the Commission in response to the development of the restructured electricity

market in California. This resolution is part of the Commission's policy direction of returning to cost-of-service regulation.

**Sierra Pacific's ECAC advice letter request is consistent with its GRC filing.**

Phase II of Sierra's GRC application (A.01-06-041) proposes the reinstatement of an ECAC mechanism. ORA suggested that Sierra file this advice letter concurrently with the ongoing GRC proceeding.

In ORA's "Report on Operations of Sierra Pacific Power Company Test Year 2003," ORA does not oppose Sierra's request to reestablish its ECAC balancing account and explicitly notes that ORA does not oppose Sierra's advice letter filing.

**The ECAC rate replaces the Annual Energy Rate (AER)**

When the ECAC was in effect, approximately 22% of Sierra's fuel and purchased power costs were subject to the AER. The ECAC mechanism we adopt today shall recover all of Sierra's fuel and purchased power costs, and therefore, the references to the AER in Sierra's Preliminary Statement will be deleted.

**Reinstated ECAC rate will be effective today and will be revised annually –  
Date to be set in Sierra's GRC Phase II decision (A.01-06-041)**

Sierra proposes to reinstate the ECAC rate at a level equivalent to the offset and annual energy rates that were in effect on January 1, 1998. This rate does not increase the rates or charges to ratepayers.

The ECAC rate will be revised annually. The annual revision date shall be set in the Phase II decision (A.01-06-041) of Sierra's test year 2003 GRC.

The ECAC mechanism is effective today. Within 10 days of today's date, Sierra shall supplement AL 294-E/-E-A to reflect today's date as the effective date of the reinstated ECAC mechanism.

**COMMENTS**

Public Utilities Code (PU) section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment

prior to a vote of the Commission. The draft resolution was mailed to parties for comment pursuant to PU Code section 311(g)(1) on March 4, 2003. No party filed comments.

## **FINDINGS**

1. Sierra filed AL 294-E, supplemented by AL 294-E-A, requesting Commission authorization to revise its tariffs to reinstate an ECAC Balancing Account Mechanism.
2. No protests were received.
3. Sierra's proposed Offset levels consist of the offset rate effective on January 1, 1998; rate stabilization revenues will be included in the ECAC calculations.
4. The ECAC Offset shall be revised subject to conclusion of Phase II of Sierra Pacific's GRC proceeding (A.01-06-041).

## **THEREFORE IT IS ORDERED THAT:**

1. Sierra Pacific Power Company Advice Letter 294-E requesting Commission authorization for proposed tariff revisions to implement an Energy Cost Adjustment Clause (ECAC) "Offset" Balancing Account Mechanism is approved with modifications effective today. The Commission may decide to alter the mechanism approved today in Phase II of Sierra's GRC (A.01-06-041).
2. Within 10 days of today's date, Sierra will supplement 294-E/-E-A to reflect that the ECAC is effective today. This supplemental filing shall be effective on today's date subject to Energy Division determining that it is in compliance with this order.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on May 22, 2003; the following Commissioners voting favorably thereon:

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WILLIAM AHERN  
Executive Director